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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 15, 1998

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. PUE980138

Ex Parte: In the matter of
requiring reports and actions
related to independent system
operators, regional power
exchanges and retail access
pilot programs

ORDER DIRECTING RESPONSE

By Order dated March 20, 1998, the Commission established this docket for the purpose stated in the caption. On April 10, 1998, counsel for the Virginia Committee for Fair Utility Rates and the Old Dominion Committee for Fair Utility Rates ("Committee") filed a letter (Attachment A to this Order) in this docket. The letter states that Virginia Electric and Power Company, Allegheny Energy, Inc., and American Electric Power Company have entered discussions regarding the formation of an entity dubbed the "Alliance Independent System Operator" ("Alliance ISO").

The Committee's letter is intended to bring to the Commission's attention and to request the Commission's assistance "in resolving serious problems and lack of representation involved in the planning and development" of the Alliance ISO. The Committee asserts that "the transmission owners have already decided many of the significant issues related to the proposed ISO, and have proposed a process for participation that precludes any meaningful input from other stakeholders in the planning and development process." The letter details what the Committee regards as "arbitrary restrictions" upon its participation in the planning and development process.

On April 13, 1998, the Honorable Clinton Miller, Chairman of the Commission, received a copy of a letter (Attachment B to this Order) dated April 10, 1998, from Mr. K.N. Kappatos, Vice President of Engineering and Operations of Old Dominion Electric Cooperative ("ODEC") to Mr. Don Douglas of FirstEnergy Corporation. Mr. Kappatos expresses concerns similar to those of the Committee regarding whether interested parties will be allowed meaningful participation in the Alliance ISO. More specifically, Mr. Kappatos asserts that the interested parties will not be allowed meaningful participation because interested parties: (i) will be limited to two positions on the Steering Committee; (ii) will be denied voting rights; (iii) may not propose a change to the membership conditions unless the interested party first garners substantial support for the change

from the transmission owners; and (iv) will not be allowed to attend the working groups "where the details are discussed and determined and ultimately presented for ratification at the Working Group level."

The Order of March 20, 1998, noted that each of the three named companies had already been engaged in efforts to develop one or more ISOs, but directed that each continue planning and development of ISOs or Regional Power Exchanges "in conjunction with the Staff and other interested stakeholders." The Order also noted that "these matters are of overriding importance to the public interest; they affect vital public services; and the public should therefore have reasonable access to the information which will be developed herein."

The Commission is of the opinion that the allegations contained in the letters received by the Commission require a response from Virginia Power, Allegheny Power, and AEP-Virginia. Accordingly, IT IS ORDERED that:

(1) On or before April 27, 1998, Virginia Power, Allegheny Power and AEP-Virginia shall file, and any other interested party may file, responses fully addressing the assertions in the attached letters; and

(2) This matter is continued for further orders of the Commission.